

The Sacramento Bee

Editorial: Paging Michael Moore

WellPoint wants to be your HMO 'star'

- (*Published August 8, 2004*)

Hot off the financial success of his Bush-bashing "Fahrenheit 9/11," Michael Moore says his next flick will be about HMOs. The plot is hardly in question. It will be the good guys versus the bad guys: doctor-patient good, insurer bad. What Moore needs is some nice, juicy, outrageous meat. And there is none redder, none juicier than the material California is providing with a fight surrounding the proposed creation of the nation's largest health insurer.

Frankly, the actual policy issues at play here aren't so one-sided. But if Moore is looking for an HMO poster child of unabashed sell-promotion and enrichment and for a self-styled defender of the little guy, Leonard Schaeffer and his nemesis, John Garamendi, are begging to be made into stars.

Schaeffer, a former government bureaucrat who has converted into a corporate HMO juggernaut, is the head of WellPoint. Garamendi, the California insurance commissioner, is the one man standing in the way of a merger that would make Schaeffer many millions of dollars richer. Garamendi has blocked the merger, a move that has prompted a battle in court and dueling public relations campaigns.

WellPoint is the shell company surrounding Blue Cross of California, which keeps this front name because of the warm and fuzzy reception it has with consumers. Not so long ago, Blue Cross was a languishing nonprofit insurer caught in a sea of aggressive fish. So it evolved into a for-profit creature (WellPoint) keeping its old name (Blue Cross). It swallowed other fish until it covered 15 million Americans across the continent. Then it agreed to be swallowed by a slightly smaller fish (Indiana-based Anthem, 13 million covered) so long as its millionaire executives could get even richer in the process.

How rich? Well, how about getting an extra year's pay simply by showing up for work for two years? Or qualifying for a similar-sized payout if the job site moves 35 or so miles? The actual dollar amount of these goodies is in dispute, but the golden parachutes for Schaeffer and his fellow executives are gilded somewhere in the range of \$250 million to \$600 million.

That's chicken feed compared to the debt created by this deal. WellPoint shareholders get about a share of the new national Anthem, plus \$23.80 per share in cash as the reward for their troubles. This produces about \$3.3 billion in debt, which, adding interest to pay it off, is about \$4.7 billion over 10 years.

Garamendi regulates less than 4 percent of the corporate activity of this merger. But by blocking the merger of this portion of the enterprise, he has mucked up the whole thing. Garamendi cites all this new debt as jeopardizing the consumer.

There's no doubt that consumers will pay the bill. But divided among 28 million Americans over 10 years, it's about the per-capita annual cost of a decent non-sedating antihistamine. This is both the genius, and sickness, of this merger. It creates nothing but a bigger company that frankly can't do anything better than a 15-million-member insurer like WellPoint can't. Bigger, but not better. A few get richer, and millions pay a little bit more to fatten their accounts - if they don't smell a rat on their own and buy insurance elsewhere.

This kind of questionable merger ultimately may prove to be beyond the reach of regulators, but for Michael Moore, Schaeffer, Blue Cross, WellPoint and Anthem are the stuff that dreams are made of.